How to be successful in realty 🏡

Insights to King County housing market during 2014 and 2015 with over 21K objects

Our
definition of profit: 💸

Buying Houses and reselling them for a higher price!

Our Price of house - initial Price of house = gross profit $

But it's not all about the biiiiiig numbers. It's also about the increase percentage wise:

gross profit / initial house price * 100 = % increase in value

Hypothesis 1

Renovated houses make more profit than non-renovated houses.

🔨

As renovation costs need to be covered, it is highly necessary to make a profit with buying, renovating and selling. We assume that at least 25% of the initial price should be made to reach that goal.

Data shows that from over 21K houses during that time, only 744 houses were renovated at least once. That's only 4,4%.

➜ **Renovating seems to be done by house owners for themselves rather than to push value of the object.**

The average profit in renovated houses was 24% (only 4 houses), but non-renovated houses had a increase in 55% (136 houses)!!

➜ **With regards to unclear costs and increasing labor costs, renovating can be a risky business case.**

Let's see why 💡

Renovation Year vs House ID
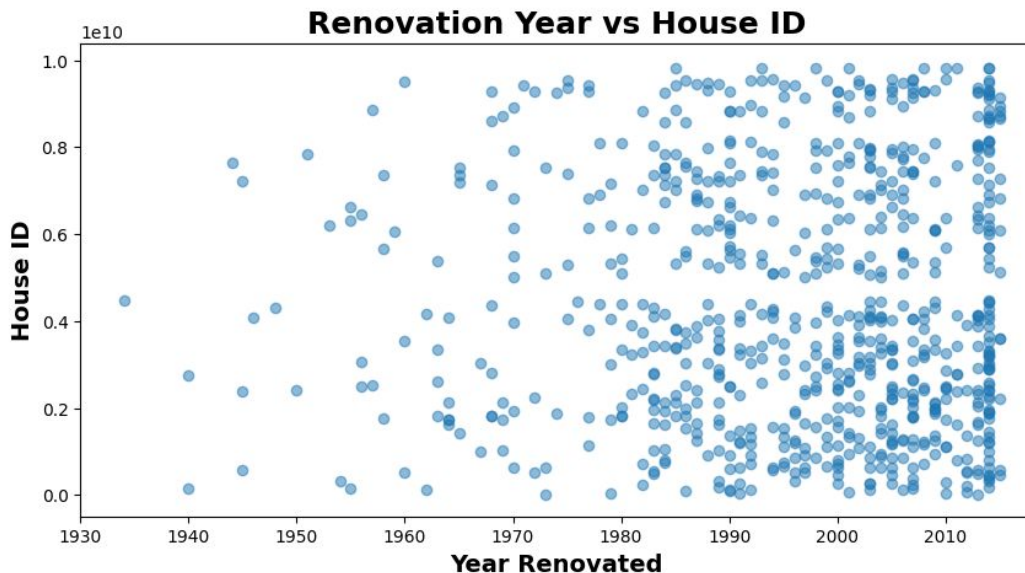
	renovated	non-renovated
med sq ft living	2200	1910
med sq ft price USD	301,56	242,77
med condition	3	3
med grade	8	7
med sq ft lot size	7375	7616
med price USD	607502	448000

Modern (1990–2004): 264   Old (1945–59): 21

Recent (2005–2013): 222   New (2014–15): 14

Late 20th C. (1975–89): 164   Very Old (1930–44): 7

Mid-Century (1960–74): 52

The median age of a house when it was renovated is 58,5 years btw

Hypothesis 2

Houses with prices over average make more profit than houses below average.

Data shows that expensive houses does not necessarily make higher profit. Both %-wise and in total numbers!

➜ **Spending a lot of money on a house doesn't mean it will make you a lot of money**

Let's see why 💡

Price over Time — markers at FIRST sale: size = |Δ price| (○) and |% change| (△)
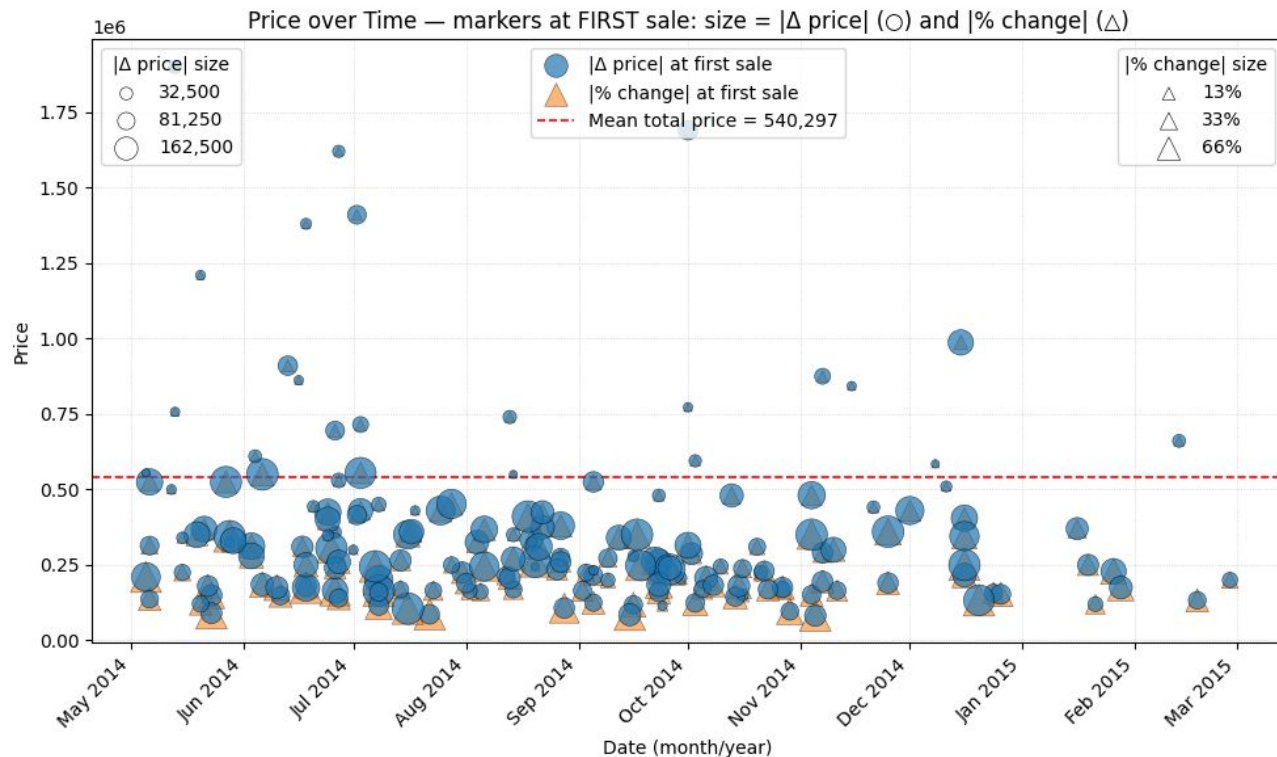
What do we see?

the bigger, the better:

blue dots = total profit

orange triangles = % increase

→ the biggest dots and triangles are below average

Hypothesis 3

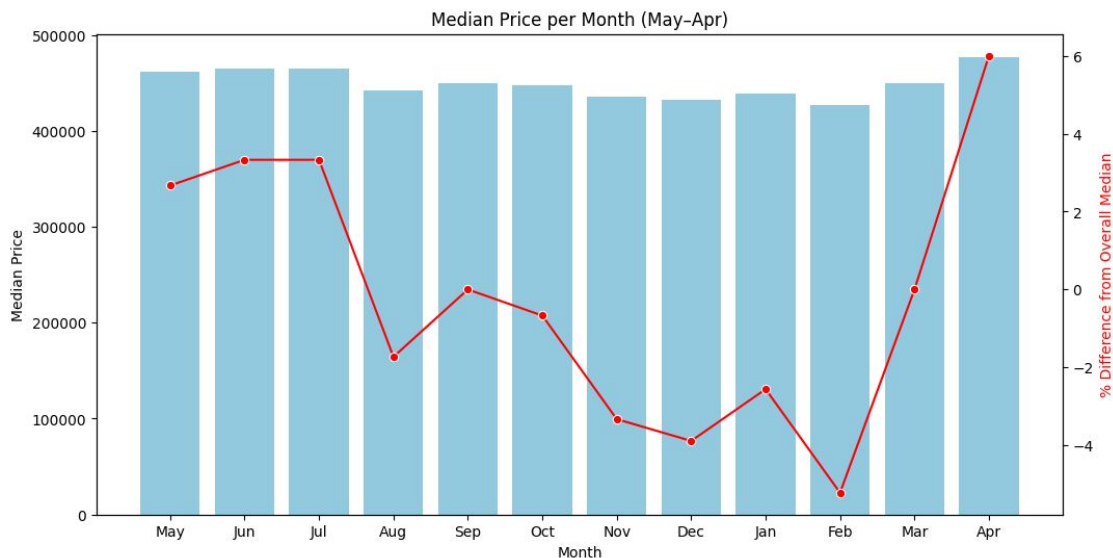Sales over time: Sold houses in summer have an higher average price than in winter.

☀️ ⛄

Data shows that prices in november to february are below average with minimum in february.

prices in april to june are higher than average with maximum in april.

➜ **Simply buying in february and selling in april can result in a 10% profit**

———

Let's see why 💡

Median Price per Month (May–Apr)

Median prices of houses through the month:

maximum: april

➜ assumption: people want to buy at the beginning of summer/spring to have some time taking care of/work on their property in summer.

minimum: february

➜ assumption: winter weather, the ongoing school year, and the aftermath of the holiday season discourage households from making moves or purchases.

Our client: Charles Christensen

+ **wants to invest with** **big returns** 📈

+ **is wondering about** **renovations** ⚒️

+ **which** **neighborhood** **to invest in** 📍

+ **is not sure about** **timing** 📅

→ **has money, but no clue** 🧟

Let's see what we can do 💪

- With a median increase of 54% from may 2014 to may 2015, King's county housing market is a very good opportunity for investors.
- trends show, that after the financial crisis in 2008, prices are nearly back to normal, but economy and realty business will further increase in future.
- there are still several possibilities if you know what to look for!

buy old houses – but forget about renovations! 🚫

Data shows that there is not need to buy expensive and big houses to earn big profit!

spread your investment over several objects and reduce your risk, but maximize profit!

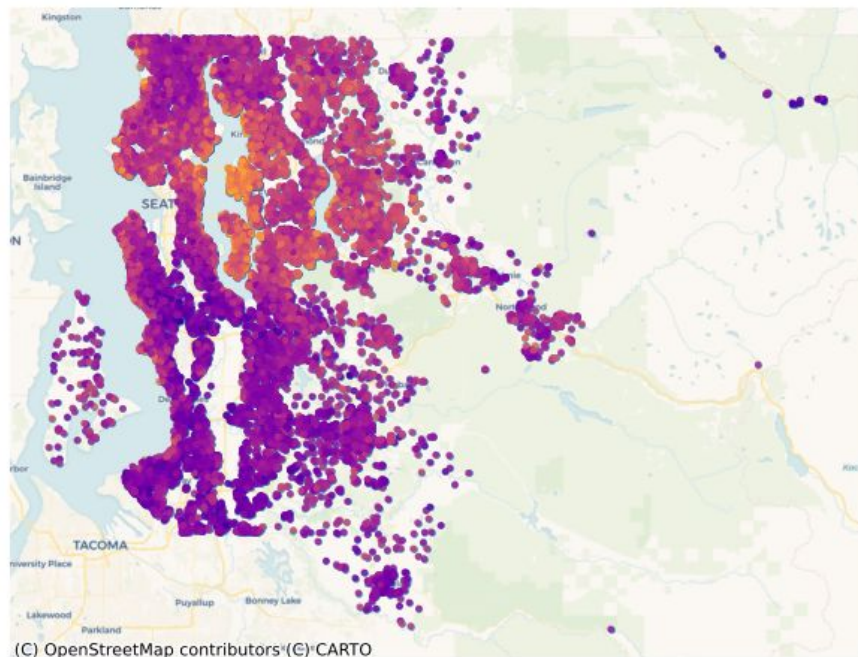|	top 30	lowest 30
med sq ft living	1.490	2.115
med sq ft price USD	179	260
med condition	3	3
med grade	7	8
med sq ft lot size	7213	4248
med price USD	347.500	552.500
year built	1944	2002

4,4 %

of all houses have been **renovated**, while grades and condition are almost the same as non-renovated houses

urban centers – let's go gentrification 🏪

- Data reveals, that there are certain areas where profit is very high.
- Those are especially city center and areas near the coastline.
- But, be careful! There are also houses in that area, that can be a dud.
- Certain areas are good to look at, but it's necessary to look into other aspects as well.
- the more expensive houses in your neighborhood are, the smaller the profit.

    ➜ high pricing neighborhoods doesn't necessarily mean high profit
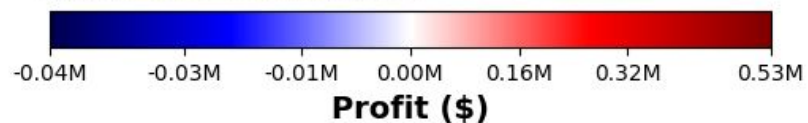
- Don't buy in the outskirts!

Let'see the maps 🗺️

Price ($)
0.08M   0.20M   0.49M   1.23M   3.07M   7.70M
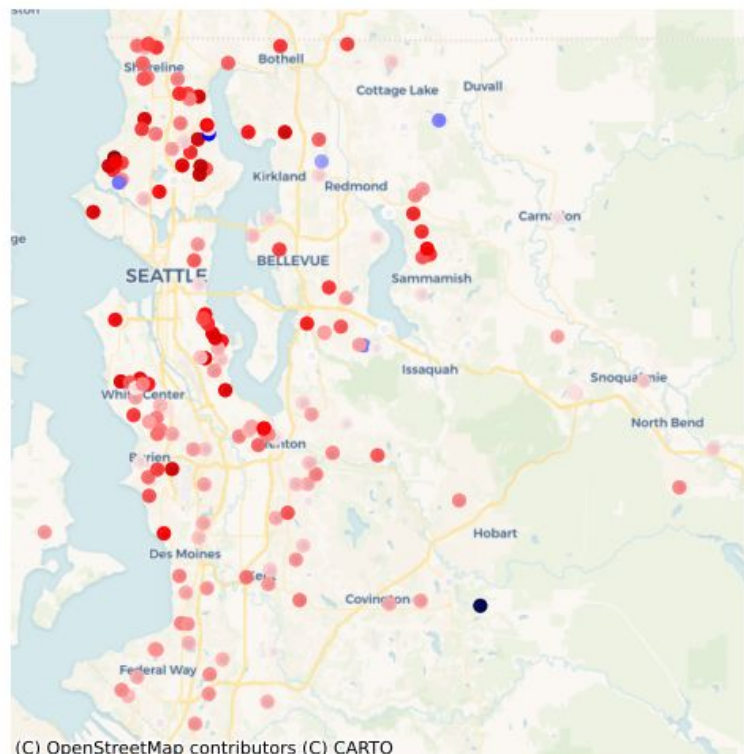
Profit ($)
-0.04M   -0.03M   -0.01M   0.00M   0.16M   0.32M   0.53M

98117

is the zip-code with the **highest total profit** (min 3 values)

don't sleep on buying early in the year 💤

- buy in winter when prices are lower and you have leverage to drop prices.
- sell during summer when families are about to relocate and lighting is optimal for pictures and impressions.
- ultimately, buy and sell in the first half of the year.
- act quickly to maximize profit. This also leads to minimized financing costs.

10 %

difference in prices from cheapest to most expensive month

Ok, but what does it all mean?

key takeaways of data insights

🔑

- Especially look for neighborhoods near **center and the coastline**
- Buy **early in the year** and sell until end of summer, preferably before summer break
- Don't buy renovated houses, but buy **older houses <1952** with good substance and history
- Buy houses that are about the size of **1200-1600 sq ft** in living, have min **3 bedrooms**, min **1 floor** and maybe a basement
- Don't look too much into special features like **view, condition or overall rating**.

➜ Don't buy what everybody wants. Be smart and buy the houses that people really need.

Here are our propositions for your invest

Proposition No. 1

Object number
5101402312

characteristics

sq ft living	1260
bedrooms	3
sq ft lot	7250
condition	3
price USD	485.000
yr built	1940
sq ft price USD	384,92
floors	1
basement sq ft	300

Proposition No. 2

Object number
3214200070

characteristics

sq ft living	1210
bedrooms	3
sq ft lot	7636
condition	4
price USD	457.500
yr built	1952
sq ft price USD	378,10
floors	1
basement sq ft	0

Proposition No. 3

Object number
1862400087

characteristics

sq ft living	1520
bedrooms	3
sq ft lot	8100
condition	5
price USD	475.000
yr built	1945
sq ft price USD	312,5
floors	1
basement sq ft	760

Thanks for your interest!